

WHAT MAKES FOR A “GOOD” FINANCIAL DECISION?

Solves the “right” problem, implying that there is clear goal identification as to the desired outcome before the application of the “solution”

✓ Observes a rigorous, four step process:

- 1. Consultative**

(canvass the alternatives, remembering that subjectivity may be “hiding in plain sight” in many of them)

- 2. Documented**

(gathering the right information, especially about the inherent uncertainty in many of the alternatives)

- 3. Reasoned**

(recitals of what you know and what you don’t; a means to justify the chosen course)

- 4. Objective**

(measurable against recognized standards or benchmarks)

THE DISTINCTION BETWEEN KNOWLEDGE AND UNDERSTANDING

- Knowledge is just a “bucket of facts”
- Understanding, which is based on knowledge, is the ability to assemble a bucket of facts into something useful
- Wisdom may be the ability to repeatedly make the right choices, over long periods of time, perhaps based on the combined knowledge and understanding

Choose poorly: suffer the consequences

Choose wisely: enjoy the consequences

COMPLEXITY AND TRUST

“Complexity, especially in financial markets, enhances the value of trust.”

“Trust, not English, is the lingua franca of business, especially finance.”

— Robert Brooks, Ph.D., CFA

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